

## **The role of higher education in levelling up: reforming or subverting the market?**

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## Focus article

# The role of higher education in Levelling Up: reforming or subverting the market?

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## Introduction

This paper examines the Levelling Up White Paper from the perspective of higher education (HE) policy and finds that HE is largely absent from the main arguments presented. The paper situates the White Paper firmly within other policy reforms that aim to change the conditions of the current undergraduate market regime in order to lower the overall costs of the system to the exchequer, by diverting some degree applicants towards (lower) skills attainment. The main emphasis in the White Paper is raising skills levels in 'left-behind areas' of the UK in order that additional investment will flow to those areas; in effect, the White Paper can be read as a rejection of market principles, and, if fully realised, a restatement of the benefits of serious labour force planning. However, the notions of 'skills' and the levels of the post-compulsory system at which these skills are delivered are wilfully misrepresented, with the higher education sector pitted against the 'Skills Sector', as the ideological 'problem' rather than part of the solution. The paper concludes with recommendations that offer a more holistic understanding of the skills-research-investment-growth nexus, calling for more depth perception and less vacuity.

At first glance the long-awaited *Levelling Up the United Kingdom* White Paper (HM Government, 2022) had relatively little of interest to those that engage in research into the political economy of the higher education sector; the Executive Summary, in particular, seems to go out of its way not to acknowledge the existence of universities and other higher education providers. This paper sets out to answer the question of why higher education is not seen as playing a role in levelling up for this government at this time, and goes on to propose some ways in which it could and should if the UK is to finally address the lack of investment in productive skills, and thus high paid jobs and attendant prosperity, in many 'left behind' areas of the country.

In many ways there appears to be a 'higher education' sized gap in the middle of the White Paper's argument, for example between where it talks about the need for more skills (without specifying the levels of study required) and where it identifies the need to grow research and development clusters in left behind areas; it manages to do this without reference to where highly qualified researchers are educated and choose to live, or the relationship between where those researchers live and where hi-tech companies choose to locate. It cites an 'aim to replicate the Stanford-Silicon Valley and MIT-Greater Boston models of clustering research excellence' (HM Government, 2022: 11) without

informing the reader that Stanford and MIT are HE institutions, attracting and then training highly qualified researchers.

The Executive Summary in particular looks to be either deliberately obtuse in ignoring the future role of HE in communities with relatively low levels of HE participation, or carefully worded boosterism for the benighted Further Education and Skills sector and the White Paper *Skills for jobs: lifelong learning for opportunity and growth* (DfE, 2021). However, there is much in the rest of White Paper that – eventually – acknowledges the impact of higher education on research and development (HM Government, 2022: 172) and even spreading opportunities into left-behind areas through the opening of new HE institutions (ibid: 197-8). Why, then, is the levelling up policy agenda so coy about the potential role for the HE sector?

The answer, it seems, can be found in a flurry of reform statements that followed in February and March 2022. These actually reposition the levelling up document as the keystone supporting potentially radical changes to the demand-led higher education market in order to lower average fees and thus reduce the cost to the taxpayer-subsidised student loans system. The (long awaited) government response to the Augar report (DfE, 2019) (Donelan, 2022; DfE, 2022a; OfS, 2022) offers a series of policy solutions that are intended to redirect some potential applicants away from degree-level study (by removing eligibility for student loans for those with low A level grades), with attendant negative implications for the diversity of the student body given the known association between socioeconomic background and educational attainment. Other proposals would lower the repayment threshold and lengthen loan repayment periods, both of which would negatively impact lower income and female graduates according to the DfE's own impact assessment of the reforms (DfE, 2022b).

Taken together these policy responses prefigure a partial return to state-directed planning of the whole post-compulsory education and skills system and envisage a return to the kind of HE and Further Education (FE) collaboration that was common prior to the 2012 reforms to the HE market (HEA, 2014), which were based on a shared understanding of local and regional employment needs. They represent significant changes to a market order only recently finalised, in the Higher Education and Research Act (2017) (McCaig, 2018), to the extent that they – and by extension the White Paper – subvert market solutions across many areas of public policy in the UK.

## Market subversion and the return of planning

The Levelling Up White Paper, prefigured in the Conservative Party's 2019 general election campaign but understandably pushed off the political agenda by Brexit and COVID-19, was finally given some momentum with the appointment of Michael Gove as the relevant secretary of state in the (hastily renamed) Department for Levelling Up, Housing and Communities (DLUHC). When it appeared in January 2022, the grand strategy of the White Paper combined conservatism with dynamism encouraged by reform:

*It is vital that we preserve and enhance the economic, academic and cultural success stories of the UK's most productive counties, towns and cities. But it is equally critical that we improve productivity, boost economic growth, encourage innovation, create good jobs, enhance educational attainment and renovate the social and cultural fabric of those parts of the UK that have stalled and not – so far – shared equally in our nation's success. (HM Government, 2022: xii)*

So far, so encouraging. But it soon becomes clear that while educational attainment in some parts of the UK is identified as a deficit, higher education and the universities are not envisaged as part of a solution despite the work of the Civic University Network (itself seed-funded by DfE (HM Government, 2022: 195)) precisely designed to emphasise HE's regional importance. The White Paper notes that higher education and universities actively contribute to the larger 'geographical differences than many other developed countries on multiple measures, including productivity, pay, educational attainment and health' (HM Government, 2022: xv), not least because the 'shift from technical training to university education ... have had a large and lasting impact on the economic geography of the UK' (ibid xv).

Expansion of higher education (with due regard to widening access and participation for those from disadvantaged backgrounds), then, is no longer seen as part of the policy diet when it comes to levelling up these left-behind communities - a significant omission considering how long and tortuous has been the development of marketised HE expansion over three decades (DBIS, 2015; McCaig, 2018; McCaig et al., 2022). A market edifice built almost entirely on opening up the supply of places by autonomous providers to satisfy demand from applicant consumers would hardly be needed if ministers and the regulator can arbitrarily decide who can and can't access degree-level study. Yet the stucco is barely dry on that market edifice; the Office for Students is still busily processing registrations from new HE providers (418 at the latest count, 183 using university in their title) and on ways to better monitor and regulate their performance (OfS, 2022), based on the old orthodoxy that increased competition from new, innovative and cheaper HE providers was supposed to offer 'a better value proposition' by combining 'quality and lower prices' (DBIS, 2015: 54).

### Levelling Up by narrowing opportunities for higher study?

So what is really going on under the policy bonnet? Factors that can help with levelling up are identified as capitals:

- **Physical capital** – infrastructure, machines and housing.
- **Human capital** – the skills, health and experience of the workforce.
- **Intangible capital** – innovation, ideas and patents.
- **Financial capital** – resources supporting the financing of companies.
- **Social capital** – the strength of communities, relationships and trust.
- **Institutional capital** – local leadership, capacity and capability.

(HM Government, 2022: 4-5)

Interestingly **Human capital** remains a dominant policy discourse, a *raison d'être* for education and skills that has driven education policy reform (including HE expansion and widening participation) since the 1960s - but notably **Intangible capital** has no reference to universities where 'innovation, ideas and patents' are most likely to be fostered - and **Social Capital** resides only at community level. We might suppose education itself to be the main building block of *individual* social capital, but it is interesting here, in a Conservative Government policy document, that the *individual* is absent. This after almost twenty years of HE being sold as the site of enhancing social mobility for the individual applicant-consumer - whose choice was supposed to be sovereign (DBIS, 2015). All this now appears to be abandoned in an effort to steer (some) people away from studying at degree level (Level 5 and above) and guided towards skills attainment:

*Economic growth theory categorises the drivers of productivity into investment in a set of capitals. ... It also often includes investment in human capital: the*

*knowledge, skills and experiences of the workforce. The larger the investment in connectivity, automation and skills, the higher the productivity of a project, place or nation, raising living standards over the long term (HM Government, 2022: Section 1.3, p41)*

Without a discussion of the level of skills attainment required, or any discussion of where these skills are best acquired, the section on Explaining Economic Geographies notes:

*There is a strong positive correlation between measures of companies' physical capital stock, the level of educational attainment of the workforce and levels of productivity, at both the national and subnational level (ibid: 41)*

While all this is well-acknowledged (e.g. DfE, 2022a; Donelan, 2022; OFS, 2022), nowhere in the White Paper's exposition on skills attainment is a distinction drawn between where levels are acquired (Level 3 in FE; Level 4 in FE and HE; Levels 5, 6 and 7 in HE) and which levels contribute most to this positive correlation. The White Paper wants to have it both ways: skills good, universities bad; unless 'leading universities' as part of research clusters, (HM Government, 2022: 38) they are irrelevant at best, harmful to 'the economic geography of the UK' (HM Government, 2022: xv) at worst, despite being the locale of the majority of skills' provision, from neurosurgery, computer programming and vaccine development to Degree Apprenticeships in Engineering and Life Sciences.

The British economy has long been acknowledged to have insufficient Level 3 skills and nobody seriously argues with the White Paper's assertion that investment and highly skilled jobs would flow to left-behind areas if those skills levels were enhanced (HM Government, 2022: 67). However, this White Paper would seemingly rather engage in 'culture war' attacks on the higher education sector for its own ideological reasons than focus on the conclusions of its own analysis, which are that investment tends to flow where higher education provision exists and that the UK is an over-centralised polity which inevitably draws R&D investment (a 'key driver of the accumulation of intangible capital', *ibid*: 84) to the 'Golden Triangle' of Oxford, Cambridge and a handful of London research-intensive universities. If a geographic concentration of wealth and power is the problem, and finance follows the skills and research delivered in universities and helps grow the economy, why not propose an expansion of the HE system into areas where it is currently thinly represented?

Despite all the work being encouraged in recent years to realise the 'value of higher education' through the Civic University movement this apparently doesn't meet the new requirements: the White Paper notes that 'civic institutions tend to lack capacity and capability, and pride in local communities is depleted' (HM Government, 2022: xvi). By implication, then, universities are presumably also failing to develop **Institutional capital** in the form of local leadership, capacity and capability. By omission, higher education apparently contributes to none of this set of capitals: no contribution to 'infrastructure', or to the 'health and skills of the workforce'; no contribution to 'innovation, ideas or patents', and, of course, nothing done in HE contributes to 'local leadership, capacity and capability'.

Some things don't change though - as with much of the policy discourse that underpinned the previous market regime, there is space to celebrate the fact that our most august universities are still there to offer a generous leg-up to 'talented children from disadvantaged backgrounds' so that they can 'progress on to leading universities' (HM Government, 2022: xxii). As for the rest of the (presumably untalented) disadvantaged, let them seek lower-level skills. Which in fact they already do - only 20

per cent of young people from the lowest income categories and neighbourhoods (as measured by free school meals data) currently enter higher education (Atherton, 2020) so there is hardly a shortage of young people to take advantage of the opportunities promised by the *Skills for jobs: lifelong learning for opportunity and growth* (DfE, 2021).

## Conclusion and recommendations

The White Paper squarely identifies many of the reasons for the need to 'Level Up' the UK; over 350 pages covering all aspects of public policy emphasise the link between educational attainment – including the advantages bestowed on graduates – and better outcomes in terms of health, life-expectancy, employment, levels of income and involvement in the criminal justice system. The policy prescriptions are mostly sensible: a continuation of the trend towards local devolution of powers; growth of skills provision and training (including employer-led Local Skills Improvement Plans (LSIPs) and Institutes of Technology (IoTs); a growth of R&D 'hotspots' outside of London and the South East; all of which should increase inward investment to left-behind areas and help the levelling-up project, given sustained political and financial will.

While much of this is couched in language that either denies or decries the role of higher education, by far the most noticeable aspect of the White Paper is that it represents a rejection of overtly marketised solutions and signals a return to a mixed-economy of planned interventions to address market failure. If the levelling up agenda is to survive under the new Conservative leadership and persist beyond the next election under any colours, it is likely to look more like the interventionist early years of the new Labour project (1997-2005) than the market dirigisme of the Thatcher years. Political expediency alone – i.e., the need to win the 2024 General Election in the face of a cost-of-living crisis – may be enough to reign in some of the more fanciful tax-and public spending cutting ideas that were a feature of the recent Conservative leadership campaign. A future levelling up project would have to address the confusion of goals for the HE sector: in this White Paper its role in skills development and economic growth is largely ignored because authors, presumably for ideological reasons, want less people to attend HE (against the demographic trend); conversely its role in research is celebrated but even then universities are conflated (and largely unacknowledged) with big employers into research clusters. Meanwhile, at some future point a minister is going to have to stand up in the House of Commons and declare the *reduction* in the proportions of care leavers, poor and non-White students taking degrees at universities a *successful* policy outcome – apparently all in the name of levelling up.

Some specific recommendations to rebalance this skewed and outdated understanding of the role of higher education in the UK.

### ***Depth perception: Seeing 'skills' holistically***

In order to make full use of the co-location of people, business and finance which can generate positive agglomeration effects that the White Paper envisages, including having a deep pool of skills in a given place, emphasis should be placed on creating a cluster of HE providers that not only engage with FE and the Skills Sector to provide Level 4 skills, but also offer the full range of undergraduate and postgraduate degrees (addressing skills at Levels 5 through to 7) and Research Institutions. This could be a revisioning of the employer-led Institute of Technology model as **Institutes of Research and Technology**. These new research clusters should be prioritised in allocations of state research funding. As the Stanford-Silicon Valley and MIT-Greater Boston exemplars celebrated by

the White Paper show (HM Government, 2022: xxi), private investment would likely follow.

As noted in the White Paper, 'technological transformations could bring potential upsides to left-behind areas, not least from the creation of high-skilled, high-wage employment opportunities' (ibid: 58); of course, this would also deter the tendency of highly skilled workers to relocate in search of higher incomes (ibid: 58). The key to much of this agenda is to **fully disengage with the idea of market competition between autonomous HE providers** (including those that are mainly FE providers) which currently stymies any attempt to direct such providers towards national or regional policy goals. This fully supports the redistribution and devolution of power in the name of 'localism' that the White Paper celebrates. If a future government is serious about devolving powers and recreating regional development strategies for left behind areas then it will need to acknowledge the role of higher education as a major contributor to any number of capitals.

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